



**CLAREPINE OIL and GAS LTD.**

*Third Annual Report*





FEB - 1 1967

*Clarepine Oil and Gas Ltd.*

1966 ANNUAL REPORT

# *Clarepine Oil and Gas Ltd.*

EDMONTON, ALBERTA

## **Board of Directors**

R. A. McAlpine—Edmonton, Alberta  
C. P. Stumborg—Edmonton, Alberta  
J. J. Stumborg—Edmonton, Alberta

## **Officers**

R. A. McAlpine, P.Eng.—President  
C. P. Stumborg—Vice-President  
J. J. Stumborg—Secretary-Treasurer

## **Transfer Agent**

North West Trust Co.  
10166 - 100th Street  
Edmonton, Alberta

## **Solicitors**

Milner, Steer, Dyde, Massie, Layton, Cregon & Macdonnell  
9th Floor Milner Building  
Edmonton, Alberta

## **Auditor**

R. I. Smith, Chartered Accountant  
560 One Thornton Court  
Edmonton, Alberta

## **Consulting Engineers**

Blain Petroleum Consultants Ltd.  
403, 239 - 8th Avenue S.W.  
Calgary, Alberta

## **Head Office**

560 One Thornton Court  
Edmonton, Alberta

# President's Report to the Shareholders

**FINANCIAL:** The past year has been a successful year for your company. The company achieved an income increase of 338% when income climbed to \$77,228.72 in 1966 from \$22,897.90 in 1965. A further highlight of the year was the attainment of a net profit position in the third full year of operation. Company resources will again permit an active year of exploration and development for 1967.

**ACQUISITION AND DIVERSIFICATION:** During the current year the company obtained a majority interest in the shares of Petroleum Royalties, Limited. Through this subsidiary the company has invested in the shares of other public companies. One of our most promising investments is a company currently exploring a copper prospect in Australia. The investment transactions completed in this Clarepine subsidiary resulted in a net profit of \$18,297.33 during 1966.

**OIL PRODUCTION AND RESERVES:** Net barrels of oil production rose to 29,498, an increase of 298% over 1965 production. The company's proven primary reserves as of August 1, 1966 were 506,514 barrels, an increase of 43.8% over 1965's reserves. Husky Oil of Canada Ltd. are continuing with their steam flood in McLaren. In excess of 150,000 barrels of steam have been injected in this unit to date. The steam flood is being conducted at no cost to your company. Although we expect our percentage of recovery to be enhanced considerably as a result of this injection; because of the variation in reservoir response to stimulation, it would be premature to attempt to project ultimate recoverable reserves at this time.

**EXPLORATION AND DEVELOPMENT:** A two-well development program was completed on our Stapelhurst property near Lloydminster. These two wells are good producers and we are presently planning an additional two wells for 1967. Two additional wells have been completed on our Pembina properties. This will be reflected in increased cash flow for 1967.

All indications in 1967 point to a continuation of the growth of the past year. Your directors express sincere appreciation to the shareholders for their continued interest in the affairs of the company.

Respectfully submitted on behalf of the Board of Directors.

*R. A. McAlpine, P.Eng.*  
President and General Manager



# CONSOLIDATED

AS AT NOVEMBER 30, 1965  
(with comparative figures for 1964)

## ASSETS

	1965	1964
<b>Current Assets</b>		
Cash in banks .....	\$ 16,736.87	\$ 2,028.79
Term deposit receipt .....	30,000.00	100,000.00
Accounts receivable .....	4,195.00	4,989.01
Loan receivable—Note 1 .....	80,000.000	80,000.00
	<u>130,931.87</u>	<u>187,017.80</u>
<b>Investment in Shares—at cost</b>		
(Market value, 1965—\$60,600.00) .....	27,815.00	2,000.00
<b>Fixed Assets</b>		
Leases—producing .....	29,860.78	28,546.98
Intangible development costs .....	117,178.79	84,176.28
Production equipment .....	57,506.52	49,595.53
Automobile .....	3,200.00	
Furniture and fixtures .....	648.00	498.00
	<u>208,394.09</u>	<u>162,816.79</u>
Deduct: Accumulated depletion, amortization and depreciation .....	26,154.75	10,942.72
	<u>182,239.34</u>	<u>151,874.07</u>
Non-producing lease cost .....	32,287.64	22,085.80
Performance deposits .....	6,000.00	3,000.00
	<u>220,526.98</u>	<u>176,959.87</u>
<b>Organization Expenses</b> .....	2,947.90	2,247.90
<b>Excess of cost of investment in subsidiary company over its net book value—Note 2</b> .....	19,697.10	
	<u>\$401,918.85</u>	<u>\$368,225.57</u>

Approved on behalf of the Board:

R. A. McAlpine, Director

J. J. Stumborg, Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Note 1:** The loan is payable on demand and is secured by a clear title to approximately 186 acres of urban land.

**Note 2:** The Company acquired 64.93% of the issued and outstanding share capital of Petroleum Royalties, Limited during the year in exchange by issuing 75,000 shares of its capital stock at a price of 40 cents per share.

**Note 3:** The loan is secured by a general assignment of book debts and a general assignment under Section 82 of the Bank Act and is being repaid at the rate of \$700.00 per month.

**Note 4:** The presentation of 1965 balances have been reclassified for comparative purposes and do not include the consolidation of the accounts of Petroleum Royalties, Limited.

## BALANCE SHEET

BER 30th, 1966

ear ended November 30th, 1965)

Exhibit A

### LIABILITIES AND SHAREHOLDERS' EQUITY

	1966	1965
<b>Current Liabilities</b>		
Accounts payable .....	\$ 2,759.52	\$ 10,851.19
Bank production loan—Note 3 .....	23,800.00	32,200.00
	<u>26,559.52</u>	<u>43,051.19</u>
<b>Minority Interest in Subsidiary Company</b> .....	11,981.67	
<b>Share Capital</b>		
Authorized 10,000,000 shares without nominal or par value		
Issued for cash—2,000,000 common shares .....	410,000.00	410,000.00
Issued for shares in a subsidiary company— 75,000 common shares—Note 2 .....	30,000.00	
	<u>440,000.00</u>	<u>410,000.00</u>
Deduct: Commission on sale of shares .....	57,000.00	57,000.00
	<u>383,000.00</u>	<u>353,000.00</u>
<b>Deficit</b>		
Balance (see statement attached) .....	( 19,622.34)	( 27,825.62)
	<u>\$401,918.85</u>	<u>\$368,225.57</u>

## AUDITOR'S REPORT

To the Shareholders,  
Clarepine Oil and Gas Ltd.,  
EDMONTON, Alberta.

I have examined the Consolidated Balance Sheet of Clarepine Oil and Gas Ltd. and its subsidiary company, Petroleum Royalties, Limited as at November 30th, 1966 and the Consolidated Statement of Operations and Deficit for the year ended on that date, and have obtained all the information and explanations required. My examination included a general review of the accounting procedures and such other tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, subject to the Notes to the Consolidated Financial Statements which form an integral part thereof, the accompanying Consolidated Balance Sheet and Consolidated Statement of Operations and Deficit present fairly the financial position of the company and its subsidiary as at November 30th, 1966, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta  
December 28th, 1966

R. I. SMITH  
Chartered Accountant



# *Clarepine Oil and Gas Ltd.*

AND SUBSIDIARY COMPANY

## CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

For the year ended November 30th, 1966

(with comparative figures for the year ended November 30th, 1965)

	1966	1965
<b>Income</b>		
Oil Sales .....	\$ 44,388.89	\$ 19,423.66
Investment income .....	13,309.83	3,474.24
Gain on sale of securities .....	19,530.00	
	<u>77,228.72</u>	<u>22,897.90</u>
<b>Expenses</b>		
Production expenses .....	25,443.78	10,848.42
General and administrative expenses .....	20,233.10	23,138.56
Interest expense .....	1,719.66	1,338.22
	<u>47,396.54</u>	<u>35,325.20</u>
Profit (loss) before the undernoted .....	29,832.18	( 12,427.30)
Provision for depletion, amortization and depreciation .....	15,212.03	7,623.19
Profit (loss) for the year before minority interest .....	14,620.15	( 20,050.49)
Income applicable to minority interest .....	6,416.87	
Net profit (loss) for the year .....	8,203.28	( 20,050.49)
Deficit—November 30th, 1965 and 1964 .....	27,825.62	7,775.13
Deficit—November 30th, 1966 and 1965 .....	<u>\$ 19,622.34</u>	<u>\$ 27,825.62</u>











